



National Association of College Stores
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FAQ on Used Books

Why do college stores sell used books?

College stores sell used books because students demand them. Used books offer students savings, and college stores often find that used books sell out before new textbooks. Used books accounted for \$1.6 billion in college store sales during the 2001-2002 academic year and made up about 15% of all college store sales (28.5% of all course material sales), according to NACS' 2003 Industry Financial Report. Many stores believe that given students' demand for used books these percentages would be higher if more used books were available.

How do used books impact the prices of new books?

In a free market economy the existence of alternative products *should* decrease prices in a product category. For example, the introduction of a generic equivalent in the prescription drug market might ultimately lower the cost of a brand name drug.

However, the need for higher education to stay current with changing information compels frequent revisions to textbooks. This is more significant in some fields, like technology related disciplines, than in others. The related development costs experienced by publishers for new textbooks keeps new textbook prices high; not used books.

Are used books as valuable as new books?

Yes. According to the most recent *Student Watch*TM report, done in 2003, 76% of students agree that used course materials are as valuable as new. Because of the nearly equal value and lower cost of used books, nearly 20% of students plan to purchase more used books in the future, according to a *Student Watch*TM study conducted during fall 2002.

However, information in some academic disciplines changes quite rapidly. In these cases textbooks quickly become outdated making used books less valuable students.

What is the average cost for a used textbook?

Because textbook prices vary according to subject complexities, it's difficult to determine an "average cost" for used books. However, used books generally allow students to save about 25% compared to new textbooks.

How do college stores price used books?

Providing used books is a labor-intensive process that creates additional operation expenses and inventory risks for college stores. Consequently the margin for used books is higher than that for new books

The process of acquiring, cleaning, pricing, and shelving used books involves significant physical handling by stores and increases operating expenses. In addition, because used books are non-returnable to publishers (as new books are), college stores assume a higher risk on their used book inventory. There is also the possibility that the publication of a newer edition will make these used textbooks obsolete, even though the store has already purchased them

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Finally, college stores provide the same level of retail service to student customers regardless of whether a book is purchased new or used. Used books can be exchanged, refunded, or returned in the same way as other purchases.

The *Annual Benchmark Report for Retail Trade and Food Services: January 1992 through March 2003*, by the US Census Bureau, US Department of Commerce, April 2003, [Table 7, page 41] estimated that annual gross margin as a percentage of sales by kinds of retail business range from 25.0 % to 42.9% (see below):

Type of retailer	1998	1999	2000	2001*
<u>Electronics</u>	<u>25.4%</u>	<u>26.2%</u>	<u>27.4%</u>	<u>26.2%</u>
<u>Grocery stores</u>	<u>26.1%</u>	<u>26.9%</u>	<u>27.0%</u>	<u>28.1%</u>
<u>Pharmacy/drug</u>	<u>26.7%</u>	<u>25.5%</u>	<u>25.2%</u>	<u>25.0%</u>
<u>Clothing stores</u>	<u>42.4%</u>	<u>42.9%</u>	<u>42.9%</u>	<u>41.6%</u>
Sports, books, music		37.5%	38.1%	38.2% 37.7%
Department stores	30.8%	31.4%	31.2%	30.3%
Online & mail order	40.8%	39.2%	39.1%	37.7%

[* latest available year of data]

The average margin for used books in college stores is 34% according to NACS' 2003 Industry Financial Survey – well within what would be considered a “normal” range of retail margins.

How do college stores acquire used books?

College stores use a variety of methods to secure used books for students. One familiar strategy for obtaining used books is through buyback events, where books are purchased from students for resale. College stores also work with textbook wholesale companies to secure additional copies of used books, or books that may not have been available during their campus' buyback. Because wholesale companies are integral suppliers of used books and experts on the used book market, many college stores seek the help of wholesale companies to run their buyback events. New textbooks are typically not ordered until the used book market has been exhausted.